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## SUBSIDIZED UNEMPLOYMENT INSURANCE

Granted that unemployment insurance is necessary, is it possible? For many years this question was asked by most authoritative students of the subject, and the answer was not always favorable. Various experiments were made by municipalities and voluntary organizations in different countries, and some of them suffered a dismal failure. The establishment of a national compulsory unemployment insurance system in Great Britain through the National Insurance Act of 1911 seems to settle the abstract question of possibility. Surely that which exists is possible, aside from the degree of success it may have or failure it may suffer. But the very fact of this prolonged discussion, through almost two decades, of the general timidity in making experiments, in the face of the rapid development of other forms of social insurance, and of the failure of several of these experiments—though the word “failure” could not be applied to any other steps in this field of social legislation—is evidence that there are special difficulties in the path of unemployment insurance which are not met with in the case of accidents or disease.

In what do these difficulties consist? It is the theory of insurance science that any risk may be insured provided there is any regularity at all about its occurrence. It is the pride of that famous English insurance institution, Lloyds, that it offers to insure against any risk, even of an unusual kind, which does not seem to manifest any regularity. Unemployment is a risk. It demonstrates a fair degree of regularity both in its dependence upon trade and in its time fluctuations, whether in annual or longer cycles.

When the whole problem was investigated very thoroughly by the Imperial Statistical Office of Germany, in 1906, the conclusion was reached that there were no insurmountable technical obstacles for the development of an unemployment insurance system. The real difficulty was stated to be the absence of a simple test of unemployment. With comparatively few exceptions, the presence or absence of an accidental injury may be easily determined. It is

an objective occurrence to be verified by statements of witnesses, and the results may be controlled by expert medical supervision. The same, though perhaps in a somewhat less degree, is true of sickness. Malingering and the exaggeration of subjective systems may occur, but must be the exception rather than the rule.

But the fact of unemployment, or rather, lack of employment—the impossibility of finding employment—lacks that conclusive evidence. Unemployment often is and still oftener may be claimed to be the result of the individual's effort or lack of effort. It may be easily simulated. In other words, to utilize a familiar term of American insurance practice, it is a bad "moral hazard," and sound insurance business avoids bad "moral hazards."

Again, it is claimed that unemployment insurance must have a highly detrimental effect upon the very condition it endeavors to cure; that in depriving the victim of the main stimulus of finding employment, it will increase the total amount of unemployment. This argument, that insurance against a risk must increase the frequency of the risk, is also applicable against any other form of insurance, such as fire insurance. But it is argued that its effect is greater in unemployment insurance because it comes into play after the risk has occurred. The hope of the insurance money may make a person careless of fire prevention, but after the fire occurs the settlement is not a direct factor of another fire. But in case of unemployment, the very fact of the benefit may, it is argued, interfere with the termination of the risk.

Furthermore, unemployment insurance tends to result in an unfavorable selection of risks against the insuring institution. After the average risk is determined, it is the usual practice of every insuring company to exercise strict supervision over the selection of risks, accepting such individuals (or property) as are a better risk than usual, and rejecting those that are a worse than ordinary risk. In this way, insurance is made safe and also profitable. The risk of unemployment is, to a large extent, dependent upon personal factors. The insurance institution may eliminate such trades as have an excessive unemployment risk, but it is difficult to eliminate the individual with an abnormally high unemployment risk.

Finally, it is argued that any system of unemployment insurance faces a serious difficulty when confronted with the conflict of capital and labor. A certain amount of unemployment is voluntary for legitimate reasons, namely, that unemployment, either individual or collective (strikes), which results from bargaining over the wage contract. It is not always easy to differentiate this form of unemployment from others. If unemployment insurance is extended to include this form, it must meet with tremendous opposition from the employing class; if it is not, the opposition will be equally strong on the side of the wage-workers.

That these and similar difficulties are quite real may be readily admitted. But, notwithstanding them, at least one form of insurance—that of the voluntary co-operative kind through the workingmen's own trade unions—has not only proved feasible and successful, but has developed very rapidly during the last twenty-five years. This fact is evidence that the hampering conditions are merely difficulties to be overcome by suitable organization rather than obstacles which would close the path.

#### UNEMPLOYMENT INSURANCE THROUGH TRADE UNIONS

Out-of-work benefits have always been a natural function of labor organizations. Even if the entire benefit activity of trade unions be considered an adventitious, supplementary feature of an organization whose main purpose is improvement of the conditions of the labor contract, out-of-work benefits are an exception because they are necessary to preserve the very life of a trade union. For a unionist out of work may weaken in his union principles and prove dangerous to the organization. And out-of-work benefits are but one form of unemployment insurance.

The development of insurance in this form has been greatest where the trade unions are strongest—in Great Britain and Germany. In Great Britain the one hundred principal trade unions distributed in ten years (1897-1908) nearly \$20,000,000 in unemployment benefits out of a total budget of something over \$86,000,000, or 22.8 per cent. Both the actual amount paid out and the proportion of total expenditures devoted to this subject have rapidly increased. In 1904 the amount exceeded \$3,000,000. Yet the mem-

bership protected by these benefits was less than 1,500,000 out of a total union membership of 2,500,000 and a total wage-working population of nearly 15,000,000. The building trades, and the metal, engineering, and shipbuilding trades were best protected. In fact, they distributed over two-thirds of the total unemployment benefits.

In Germany, notwithstanding the comparative youth of the trade-union movement, the extent of this activity is equally wide. Out of a total union budget of some \$10,000,000, nearly \$2,000,000 was spent for unemployment benefits and an additional \$300,000 for travel benefits. Some 2,000,000 workers were protected against this risk by co-operative insurance.

In the last issue of the first international publication specially devoted to the study of the unemployment problem,<sup>1</sup> interesting figures are quoted concerning the extent of unemployment benefits given in 1910 by the trade unions of various countries affiliated with the International Bureau of Trade Unions. Though the figures for some of the most important countries, Great Britain, France, the United States, and several others, were missing, the table is nevertheless very instructive.

AMOUNT OF OUT-OF-WORK BENEFITS GRANTED IN 1910 BY TRADE UNIONS IN EACH OF THE COUNTRIES ENUMERATED BELOW

Country	Travel Benefits	Unemployment Benefits	Total
Germany.....	\$241,794	\$1,445,974	\$1,687,768
Austria.....	40,147	268,484	308,631
Hungary.....	6,864	62,683	69,547
Denmark.....	.....	363,973	363,973
Italy.....	2,430	344	2,774
Norway.....	.....	34,618	34,618
Netherlands.....	196	5,500	5,696
Servia.....	505	1,299	1,804
Sweden.....	5,912	62,758	69,670
Switzerland.....	.....	16,268	16,268
Total for 10 countries.....	297,848	2,262,901	2,560,749

In most countries the development of this form of unemployment insurance is found to be very weak, both because of the slight

<sup>1</sup> *Bulletin trimestriel de l'association internationale pour la lutte contre le chômage*, II, No. 3, p. 595. The data were as furnished by the International Labor Secretariats. . . .

development of the trade-union movement and because of the low standard of wages.

In comparison with the extent of unemployment benefits in the British and German unions, the activity of the American unions in that direction is but slight. It is reported that in 1910 all the national unions affiliated with the American Federation of Labor distributed in unemployment benefits no more than \$240,717. In 1909, in face of the serious industrial depression the total amount was larger, \$535,995.

Thus, unemployment insurance has been realized by these labor organizations in face of all the enumerated difficulties. The important question arises: Why did not these difficulties interfere in any way, or at least in any material way, with its growth? The answer, however, is extremely simple if the nature of these difficulties is again considered. It becomes quite evident that scarcely any of them apply to the conditions under which labor unions grant their out-of-work benefits.

The "moral hazard" of malingery is naturally reduced to a minimum. A trade union knows the conditions of its particular labor market as no one else can know them. Often it takes an active part in placing the unemployed; it also knows, therefore, the conditions of employment so as to be able to see the difference between a reasonable and an unreasonable offer. It is almost impossible for a refusal of a reasonable offer to remain a secret. And as to an offer to work for substandard wages, it is the direct policy of a trade union to prefer the payment of an out-of-work benefit to a permission to accept such employment. The trade union naturally cannot be frightened away by the charge that this form of unemployment insurance may help the wage-worker in conflict between employer and employee—it is the direct aim to render such help.

Not only these broad difficulties but even the technical ones also vanish. There can be no unfavorable selection of a few trades because each union organizes its employment benefit system within the limits of one well-defined trade or a group of closely related ones where the risk of unemployment is fairly uniform. Nor can there be a personal selection of bad risks because, though

voluntary from the point of view of general law, these out-of-work benefit systems are usually compulsory within the limits of the trade organization. It may be claimed that the better grade of employees are forced to contribute to the support of the inefficient or the shiftless and inefficient, but the development of this form of unemployment insurance seems to indicate that the wage-workers as a whole are not frightened by this argument. At any rate, the financial strength of the benefit fund is not undermined because only poor risks take insurance.

But while this form of insurance against unemployment has been successful within the limits of its activity, and has also served as a demonstration of the possibility of avoiding all difficulties, its narrow limitations must not be overlooked.

Its effect is strictly limited to trade-union organizations. Rapid as has been the growth of these organizations, after all the vast majority of wage-workers is still outside of them. In some countries the unions are quite feeble. Now the necessity for unemployment insurance is vastly greater for those outside the trade unions than for those in them. To be sure, the statement frequently made that unemployment itself is more extensive among non-union men than within the circles of organized labor is disputed by some writers. And perhaps the statistics of unemployment are still in too unsatisfactory a condition to permit of a definite decision on this point. But whether organization of labor does or does not have benevolent effect upon the extent of unemployment, there can be little doubt that it has raised the average earnings of its membership. Therefore union workmen as a rule do not suffer so much from distress in case of unemployment as do workers in non-organized trades. Moreover, it is well to remember that almost the entire army of casual laborers is outside the pale of unionism, receives the lowest wages, and suffers from the greatest amount of unemployment. Briefly, the same situation develops as in the other forms of co-operative workmen's insurance. Those most in need of it do not enjoy it.

Again, the wage-workers themselves have the entire cost of this insurance to bear. Union or no union, a very large proportion of the wage-workers are not in the condition to assume this burden.

And even those who are better placed are forced to make the level of benefits very low in order to keep the dues or premiums down. Hence the problem of accumulating a sufficient reserve in order to meet the sudden increase of unemployment during an acute panic or prolonged depression can seldom be met successfully.

As a result, these out-of-work benefits are usually very moderate in amount, while a good many unions do not dare to grant any at all. Other unions are able to grant them for a very short time only. Mr. Beveridge mentions one English union consisting principally of unskilled laborers (the Amalgamated Society of Gas Workers, Brickmakers, and General Laborers) which pays only six shillings a week (\$1.50), and that for not over four weeks in any one year, so that the insurance benefit within twelve months cannot exceed \$6. On the other extreme is the London Society of Compositors with a weekly allowance of fourteen shillings (\$3.50) which may be drawn for twenty weeks in one year and may be extended even to forty, so that as much as \$140 may be drawn by one member. The actual weekly rates and length of time for which they are granted are subject to numerous variations. In England, the usual rates are 10s. or 12s. per week, which may be drawn for about twenty weeks, so that the average amount of unemployment benefits possible within one year may be estimated at \$50 or \$60.

In Germany, a benefit from one to  $1\frac{1}{2}$  marks (24 to 36 cents) per day is usual, while the duration may extend from ten weeks in some unions to forty in others. In Belgium, where unemployment benefits among union men are perhaps more common than in any other country, the average benefits (before the establishment of the Ghent system, which will be described presently) varied from 50 centimes (10 cents) to  $2\frac{1}{2}$  francs (50 cents) per day, or 60 cents to \$3 per week, and benefits over  $1\frac{1}{2}$  francs per day or \$1.80 per week, were exceptional. The same rates,  $\frac{1}{2}$  to  $1\frac{1}{2}$  lira, predominated in Italy, an investigation in Milan for 32 unions granting such benefits showing an average of 23 cents per day. The observation which Mr. Beveridge makes of the English out-of-work benefits, that "the allowance is never by itself adequate for the maintenance of a family," is equally true of the benefits in other countries.

The same conditions, therefore, have developed in this as in



other forms of working-men's insurance. The persistence of their efforts indicated that insurance is necessary, and the fair degree of success proved it to be, under certain conditions, feasible.

But the final possibilities are found to be limited, and the cost is a heavy burden, unless it is shared by other groups of the social body. Thus, the way is clearly indicated toward a carefully planned structure of social insurance against unemployment. The work of Mr. J. G. Gibbon on *Unemployment Insurance* (beyond dispute the best work in the English language on this subject) carries the significant subtitle, "A Study of Assisted Insurance." However, this title is equally applicable to all other branches of social insurance, because the necessity for "assistance" lies in the very foundations of the problem of insurance for the working masses.

#### VOLUNTARY SUBSIDIZED UNEMPLOYMENT INSURANCE

There have been many classifications of the various systems of unemployment insurance, but perhaps the best is the classification which brings out the general law in development of all social insurance, namely, the development from (1) voluntary mutual to (2) voluntary subsidized state insurance, and from that to (3) compulsory subsidized state insurance. This course was traced in the cases of sickness, old-age, and invalidity insurance, and the same process may be noticed at present in the field of unemployment insurance.

The many experiments, the failures and the successes as well, were all made in voluntary subsidized insurance. The fact that often, instead of the state, the local governmental authority, the department or province, or even the commune, has undertaken the organization and granted the subsidy, is after all a detail of minor importance.

Somewhat crudely, all these schemes of subsidized voluntary insurance provided for by public or governmental authority may be divided into two groups, which Mr. Gibbon has named, respectively, *Provided Voluntary Insurance* and *Autonomous Insurance*.

The difference between these two forms of organization is essential. Under the "provided" form, the public authority, usually a municipality (though in a few cases only a semi-public body, perhaps of a charitable nature), organizes the insurance insti-

tution and offers to extend its benefits, including a financial subsidy, to the individual workman. The "autonomous" form proceeds on an entirely different plan—it accepts the form of insurance organization created by the workmen themselves and only comes to their assistance, thus following on the familiar lines of voluntary subsidized sickness insurance or old-age insurance in the Scandinavian and other countries. Of these two forms, whose designation is sufficiently characteristic, the latter, the autonomous form, is the more recent and by far the more successful. It is undoubtedly the experience of the "provided" form, organized in the nineties of the last century, which is responsible for the pessimism as to possibilities of unemployment insurance, so current ten or fifteen years ago.

Altogether only a few experiments of that character were made. The earliest attempt was in the city of Berne, Switzerland, in 1893. In 1896, Cologne, Germany, established a fund still existing, and, in the same year, a private organization in Bologna made a similar effort. Other funds are found in Leipzig (since 1905), in Venice (since 1901), in Basle (1901), and in Geneva (1904).

The organization of these insurance funds is very primitive. All workers without distinction are usually permitted to come in on the same terms. The Cologne fund, which is the most important, has two rates only, one for the skilled and one for the unskilled workmen.

As a result, all the difficulties mentioned in connection with the general problem of unemployment insurance come very strongly into play. There is selection of "bad risks" both individually and by trades. In all the schemes mentioned, the building trades have predominated among the insured, sometimes to the extent of 80 or 90 per cent. Naturally the trades less subject to unemployment avoid this form of insurance. Even among the building trades, the better element is antagonistic to the organization.

A very high proportion of those insured is forced to apply for the benefits—even in Cologne, from 80 to 85 per cent in six years out of twelve. The insurance principle is practically obscured. The scheme becomes simply a method of taking out more money than was put in. This serves as an additional attraction to the

economically and morally weakest elements of the working class, and not only repels the stronger but becomes soon a source of danger to the fund itself. The subsidies are usually derived from one of two sources: a contribution from the municipal treasury, or voluntary subscriptions of "honorary members" or other charitable individuals or institutions. Since the subsidies are, as a matter of fact, rather slight in all the localities enumerated, they become or threaten to become exhausted, and to preserve even a semblance of the insurance principle, the management of the funds usually feels itself constrained to apply various restrictive measures to reduce the excessive demand for benefits. Various regulations of this kind exist. Certain trades may be altogether excluded because the unemployment risk is too great. A residence qualification is established to prevent migration for the purpose of receiving the benefits. A certain length of membership is required with regular payment of dues, as a means of eliminating the malingerer. And while these measures strengthen the finances of the scheme, they really reduce its usefulness.

Briefly, the situation is that good risks avoid these schemes and the worst are not admitted. As a result the sphere of application of all of them is very limited. In Cologne, which has the oldest and by far the most important of these systems, the total number of insured is under two thousand. The Berne unemployment fund insures only about five hundred. The Basle fund, after ten years, boasted of a little over two hundred members insured. The system of Bologna, which began as assisted voluntary insurance, was finally changed into subsidized saving, where each member makes certain deposits to withdraw them with a bonus during the period of unemployment. Even that system does not attract more than seven or eight hundred members, because of certain onerous conditions connected with the system of benefits. In as large a city as Leipzig, the unemployment insurance fund, organized by private agencies in co-operation with certain trade unions, has attracted two hundred and twenty-seven members in the fourth year. The total number of insured in all the schemes of this type is, therefore, less than five thousand.

The truth of the situation is that these funds have become but

modified forms of public relief for the unemployed or rather for the worthy among them, since the right to relief is predicated upon certain contributions. This public relief is combined with the granting of such employment as cleaning the streets. Charitable funds voluntarily contributed either by individuals or by municipalities are an essential feature of them. These voluntary contributions seldom last and are never sufficient. The maximum activity depends upon success in obtaining funds.

That some of these funds have done a certain amount of useful work in relieving unemployment distress and in finding employment for the idle during the winter months cannot be denied. But as a possible nucleus for a general scheme of unemployment insurance, they have failed. Perhaps after all that is their most important achievement: they have clearly established the impracticability of individual, voluntary unemployment insurance.

#### THE GHENT SYSTEM

Vastly more successful has been the system of unemployment insurance which Mr. Gibbon has designated as "autonomous trade insurance," but which is usually known as the Ghent system, because the earliest successful experiments were made in the Belgian city of Ghent in 1900, under the direction of Mr. Louis Varlez, a very close student of the unemployment problem. It is fair to say that the Ghent system was the first successful method of organizing social unemployment insurance. It was the first intimation that the problem of unemployment could be attacked from that side.

The principle underlying the now famous Ghent system is very simple. It was quite evident even ten or twelve years ago that while the few municipalities which tried failed to evolve a practical system of unemployment insurance, labor unions were carrying on a considerable amount of that insurance without any particular difficulties except that certain unions felt that they could not afford it. Instead of trying to build up a new system of unemployment funds, it seemed much simpler and much more advisable to direct efforts toward developing a system which the workman had created himself and which, for reasons already discussed in some

detail in the preceding pages, proved entirely successful within its limits. The main shortcomings of trade-union insurance were, on the one hand, the small benefits and the heavy burden upon the workers' pockets, and, on the other, the fact that many unions were evidently unable to organize such systems with the funds at their disposal.

The essential thought of the Ghent system is therefore public (municipal) subsidy to labor organizations granting out-of-work benefits. The purpose is to increase the amount of the benefits given without any additional cost to the wage-worker, and to stimulate other unions to organize such systems. With this purpose in view, a certain appropriation is made by the municipality of Ghent together with its suburbs. From that appropriation, subsidies are granted to all organizations giving employment benefits, in a certain proportion to those benefits, which must be determined periodically according to the funds at disposal, the general level of unemployment, and so forth. This proportion has usually been 60 per cent of the original benefit, so that the unemployed received 60 per cent more than he otherwise would have been entitled to. Those to whom the principle of self-help is a sanctity may claim that the underlying principle of this system is that of "helping self-help." This is true, however, only if the term "self-help" is made broad enough to include "collective mutual help." For the decision of a trade union to organize a system of unemployment insurance is rather a triumph of the principle of collective mutual help over hope in the efficacy of "self-help."

The details of this scheme are somewhat complex and cannot be gone into here at great length. There are various limitations, of course. The limit of the subsidy cannot exceed 100 per cent of the benefit originally given. The subsidy is computed only on the first daily franc of the benefit. It is not given for more than sixty days in any one year to one person unemployed. These conditions and limitations under no circumstances interfere with the right of the trade union to organize its own scale and conditions of unemployment benefits, which apply to the benefit and not to the subsidy.

That the Ghent system has had a marked degree of success can-

not be disputed. From 28, the number of affiliated trade unions has increased to 43 within nine or ten years. The number of insured has increased from 13,000 to 18,000. In eight years some 650,000 francs were distributed in unemployment benefits for some 375,000 days of unemployment. Of the total amount about 220,000 francs were contributed as a subsidy. Thus the experience of this one town of some 200,000 population has been really greater than that of half a dozen towns together, which, like Cologne, have purely municipal funds.

The Ghent system with various more or less important modifications has found its imitators in many communities throughout Europe. Not only municipalities, but various departments or colonies, and finally states, have made appropriations for subsidizing either trade-union unemployment funds, or similar voluntary schemes of unemployment insurance. Perhaps the extent of this growth within one decade can best be presented in a somewhat tabular statement:

#### A. MUNICIPALITIES

1. *Belgium*.—All cities of over 35,000 population, and several smaller cities, altogether 21 funds with 41 communities participating.

2. *France*.—A large number of municipalities, Paris, Lyons, Limoges, Roubaix, etc.

3. *Germany*.—Several cities, such as Strassburg (since 1906), Erlangen (1909), Mulhausen (1909), Freiburg (1910), Heidelberg, Nuremberg (1911). It is planned in Berlin, Hamburg, Munich, and other cities.

4. *Holland*.—About 25 cities and towns altogether, including Amsterdam, Arnhem, and Utrecht (since 1906), one since 1907, eleven since 1908, eight since 1909, one since 1910, and one since 1911.

5. *Italy*.—Three cities, Milan since 1905, through a privately endowed philanthropic fund, Padua and Brescia since 1909 or 1910, directly. (This does not include Bologna and Venice, where direct systems of insurance exist.)

6. *Switzerland*.—The country of the early and unsuccessful attempts at direct and even compulsory insurance has also been influenced to adopt the Ghent scheme, in St. Gall (since 1905), Geneva (since 1909), and a few small towns.

#### B. LARGER CIVIL DIVISIONS

*Provinces, departments, etc.*—Small subsidies, often in addition to the subsidy of the local community, are given by these political divisions in Belgium and France.

## C. STATE GOVERNMENTS

1. Belgium since 1907 distributes a small subsidy to some of the communal unemployment funds, or trade associations granting unemployment benefits, whether affiliated or not with the communal fund.

2. France similarly distributes in subsidies to unemployment-insurance associations an appropriated sum which amounts to some \$22,000 annually since 1905.

3. A truly national system of subsidized unemployment insurance was passed in Norway in 1905.

4. A similar system was established in Denmark in 1907.

The list thus given is comprehensive enough to indicate the rapid extension of the Ghent system or its various modifications. Naturally, with such a large number of systems independent of each other, a very great variety of detail may be observed in the methods, upon which the efficiency of the system often depends.

The differences in the method of organization between municipal and national systems have already been indicated. That the national systems have the preference seems to be quite evident, if only because they are much more effective in extending the benefits of unemployment insurance without interfering with the mobility of labor. Thus the Danish and Norwegian systems seem from the point of numbers to be the most nearly perfect. Considering the population of these two small countries, it is certainly significant that Norway has about 50,000 persons insured against unemployment, and Denmark an even 100,000.

To whom shall the subsidy be paid? That is one of the essential problems of organization in most of these funds. The majority of these organizations, in fact practically all of them in all countries, are trade unions. But no law or system requires them to be such. Indeed, in some countries, it is very definitely provided that the subsidized association shall not be a trade union, but an organization expressly formed for the purpose of unemployment insurance. In actual practice this requirement has simply resulted in subsidiary formal organizations of the same membership as the trade union. That is the situation in Denmark. In Norway the law requires that if a trade union possesses an unemployment benefit fund, its accounts shall be kept entirely distinct, and the fund shall possess a legal identity of its own.

There are several reasons for this requirement. The modern state had no desire to come out openly as a partisan of trade unions, or to permit the use of any part of its subsidy for other purposes than unemployment benefits. Furthermore, it did not wish to discriminate against the non-union man, and did wish to leave open for him a way to the subsidy. Moreover, in granting the subsidy, the state wishes to exercise control of the unemployment benefit fund without interfering with the trade union as such. In both these countries, the law requires as a condition of the subsidy that membership in the fund be open to anyone, whether a member of the trade union or not. And this provision was very distasteful to the unions and delayed the acceptance of the subsidy, especially in Norway; but gradually the opposition was overcome, because its actual effect was felt to be very weak.

Other regulations as to the organizations entitled to subsidy or as to individuals entitled to membership in such organizations are few. The natural tendencies of the workingmen's organizations are permitted to work themselves out. In some of the systems enumerated, it is required that the organization be limited to one trade or allied trades, this uniformity of occupation being necessary to insure some uniformity of risk. In other regulations a vast variety exists. Most of the municipal funds leave the actual determination of the amount of benefits to the voluntary organizations, though they may pay their subsidy only up to a certain amount of the benefit. On the other hand, definite limits are met with. Under the Strassburg system, for instance, the benefit originally paid by the trade union must not be over one mark, or 24 cents a day; the Norwegian law puts the maximum at one-half of the wages, and the Danish law places the limits at from  $\frac{1}{2}$  to 2 kronen (13 $\frac{1}{2}$  cents to 54 cents). There is in most of these limits some conception of the rock-bottom standard of physical necessities of existence.

The variety of provisions is not smaller which concern the manner and proportion of the subsidies granted. Under the Ghent system, as was explained, the subsidy is given *ex post facto*, as it were, in proportion to the benefits. It is true that the subsidy is given at the same time with the basic benefit, but the amount is



reimbursed to the organization after a subsequent accounting. This is the predominating method in other Belgian communities, in the Milan fund, in most Dutch systems, in the national system of Norway. The system of Denmark is the most notable exception to this rule, the subsidy there being paid according to the premium rather than the benefit. The Ghent method is usually considered preferable, in that it encourages the payment of benefits rather than accumulation of funds, prevents the waste of subsidy in administrative expenses, and requires less interference with the association's management of the funds.

The amount of the subsidy must be substantial if the desired results of effective increase of the benefits and strong stimulus to the development of mutual insurance are to be realized. In the Ghent organization 60 per cent of the basic benefits were usually given. Under the Danish law one-third of the premium is contributed out of the national treasury, and the local authorities are permitted to contribute another sixth, so that altogether one-half of the premium is contributed, constituting a subsidy of 100 per cent. The Norwegian system provides for a subsidy of 25 per cent of the total benefits paid, or  $33\frac{1}{3}$  per cent of the basic benefit. In most of the cities of Holland the subsidy is 100 per cent. In the city of Strassburg it is 50 per cent. The same amount is paid by the Humanitarian Society, which conducts the system in Milan. In the French cities the variation is very great. On the one hand, Lyons grants a subsidy of 100 per cent, and, on the other, Paris grants only 20 per cent. To be sure, the actual rate of the subsidy is often smaller than that stated in the rules, because many other regulations exist restricting the subsidy, often according to the length of residence, or excluding the earliest stage of unemployment, or limiting the duration of the subsidy. In other words, the subsidy system may have its own regulations as to subsidy, without necessarily enforcing them upon the voluntary organization.

It has already been stated that while all sorts of organizations granting unemployment benefits are permitted to take advantage of the subsidies offered, as a matter of fact, activity in granting out-of-work benefits, and consequently the subsidy as well, are confined to trade unions. Thus the benefits of all these systems

reach only organized labor. The granting of the unemployment subsidy may have had the effect of attracting to the trade unions a certain proportion of the wage-worker's class who otherwise would not have joined them, but with all that, a majority of the working-men in most of the countries remain outside these organizations, and to them the system of subsidies to voluntary organizations offers little or nothing.

This difficulty was felt from the very beginning of the organization of the subsidy system in Ghent, and in order to meet the demand of the larger part of the working class, a modified system of subsidies to savings was devised. This consists in granting subsidies, in the same amounts as to the association, to withdrawals from the private savings bank accounts when such withdrawals are made because of unemployment. The same test of unemployment is applied which will be mentioned presently. During the first three years such subsidies to private savings were made only when the deposits were made for the special emergency of unemployment, and thus constituted a modified form of insurance. This was not altogether a new principle, for the identical form of unemployment insurance had been practiced in the city of Bologna, Italy, by the local savings bank since 1896. In 1904, the scheme, in view of its failure to become popular, was made more liberal, by granting the same subsidy to withdrawals from any savings-bank account, provided the withdrawal was made because of unemployment.

This provision for unemployment of individuals not members of any unemployment benefit association is found only in a few of the schemes described. In almost all the Belgian municipal funds, the principles of the Ghent plan were faithfully followed, including this method of subsidizing individual savings. But outside of these, only a few municipalities, in Germany notably Erlangen and Freiburg, have adopted this subsidiary system. It does not exist in either one of the two important national systems of Denmark or Norway, nor in the more limited systems of France. The systems of Milan and other Italian cities, of all the cities of Holland, of the city of Luxemburg, and of most German cities, are strictly limited to subsidy of organizations, often only to trade unions.

To be sure, the question of the existence or absence of this subsidiary system of assistance to individual earnings is rather an academic one, not because the interests of non-union labor are of no importance, but because, even when the system exists, it has failed as decisively as the essential features of the Ghent system have succeeded. Taking together all the Belgian systems, to which this subsidiary system is confined, about 150 or 200 persons have availed themselves of it, and have shared a total subsidy of about 2,500 francs, whereas 17,000 to 20,000 persons have been subsidized through the trade organization part of the scheme.

Thus the Ghent system, as well as its imitations and modifications, are practically limited to organized labor. It is true that in a few cities, as for instance Roubaix (France), Basle (Switzerland), Nuremberg (Germany), Dordrecht (Holland), and a few others, efforts are being made to meet the needs of unorganized labor in a different way, by direct municipal insurance funds, such as the "provided" schemes described earlier in this paper; the fund receiving the dues (or premiums) of those voluntarily insured, usually uniform for persons of all trades and ages, and granting a benefit to which a subsidy is added. There is little reason to expect, however, that these plans should prove more successful than those in Cologne, Berne, Bologna, etc., already described.

How do these subsidized systems meet the essential difficulties of unemployment insurance which have been found to interfere so seriously with the working of the direct municipal system, namely, the difficulties of (1) proper definition of unemployment; (2) its distinction from other forms of enforced or voluntary idleness; and (3) tendency to malingery?

Here again, there is a wide space for the testing of divergent methods. There is, however, a certain uniformity in this variety. In so far as all of these schemes work in co-operation with the trade unions or similar voluntary organizations, they depend upon their system of supervision. There must be in each one of these organizations an incentive for preventing malingery or fraud, because they themselves pay the larger part of the subsidy. In addition, some other method of control usually exists. Thus, most of the insurance systems described work in close co-operation with "labor

exchanges" or public employment offices, which fulfil the double functions of control and prevention: control over possible fraud, and prevention by placing the insured unemployed either in public or in private employment. Registry at such labor exchanges is usually required as a condition of receiving the subsidy. In Strassburg, Erlangen, and several other German cities, daily visits at the labor exchange during the entire period of unemployment are required—a rather vigorous method of control, which is defended also upon the ground that it is conducive to sobriety and offers better chances of finding employment. In some systems, as for instance in Ghent, such daily visits are not required of those unemployed who are members of labor organizations, but only of the individually insured. A great deal of theoretical importance is ascribed by some writers to these methods of control, for through them some definite system may develop to overcome one of the serious difficulties of direct public unemployment insurance.

How much have these numerous systems succeeded in accomplishing thus far? The answer to this question is not easy, for most of these systems are very recent; and, moreover, it is always difficult to get an accurate measurement when dealing with a large number of diverse, local, independent organizations rather than large national systems.

Perhaps the most comprehensive collection of statistical information on this subject is contained in the proceedings of the Conference on Unemployment held in Paris in 1910. Most of this information has been summarized by Mr. J. G. Gibbon in his study on *Unemployment Insurance*, and from his tables an effort may be made to measure the development as a whole.

Number of persons insured under the voluntary subsidized schemes, state and municipal:

Denmark . . . . .	95,000
Norway . . . . .	50,000
Belgium (21 communal funds) . . . . .	40,000
France (state system) . . . . .	40,000
Milan (Italy) . . . . .	12,000
Holland (11 communal funds) . . . . .	15,000
Strassburg . . . . .	5,000

The brief list includes the most important of the systems of the Ghent (or modified) type, and in the seven countries it covers a little more than 250,000 wage-workers.

A general estimate of the Ghent systems must take these facts into consideration. As the first successful effort to apply social forces to the relief of the unemployment problem, it has its enthusiastic admirers, who consider it the only practical method of social unemployment insurance. It must readily be admitted that the development of the Ghent system was a growth of large importance. But at best the Ghent system is restricted to organized labor, and only that part of organized labor which sees its way to undertake out-of-work benefits. Where labor is weakly organized, or where, as in France, labor organizations have done very little in the field of unemployment insurance, the Ghent system fails to show results that count. And in all countries, it scarcely touches the very worst forms of destitution resulting from unemployment. In other words, the positive results of the Ghent system—the demonstration of the entire possibility of unemployment insurance, and the development of methods of meeting all its specific difficulties—are due to the fact that the union presents a unit of compulsory insurance. Its weakness and limitations are due to the fact that the very existence of the unit is a voluntary matter. In so far as the system approaches compulsory insurance, it is within its own limits successful. In so far as it is voluntary, it fails of achieving the necessary results.

The inevitable inference points to the compulsory principle in this as in other lines of social insurance.

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